

March 26, 2010

David Morales, Commissioner
Division of Health Care Finance and Policy
2 Boylston Street, 5th floor
Boston, MA 02116

Dear Commissioner Morales:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 11 health plans that provide coverage to approximately 2.2 million Massachusetts residents, I am writing with regard to the recent public hearings that the Division of Health Care Finance and Policy (the Division) concerning health care provider and insurer costs and cost trends.

MAHP and its member plans have been strong advocates for increased transparency around health care cost and quality information. We applaud the Division and the Attorney General for the recent reports examining health care costs and health care cost drivers. MAHP and its member health plans were strong proponents when these hearings were proposed and we commend the Division on the breadth and depth of these hearings. The reports and the hearings are essential to shining a spotlight on underlying health care costs and requiring health plans, hospitals and physician to answer the questions answer the question, "Why are their costs going up?" and "What are those entities doing about it?"

Keeping health care affordable is *the* challenge facing all of us in the health care system and we recognize that rising health care costs have fallen particularly hard on small businesses and their employees. The current rate of growth is unsustainable. As the Division's and the Attorney General's reports have noted, health care costs far outpace the national average and provider prices and the market clout of certain providers are responsible for almost all of the increases in health care costs over the last several years.

Health insurance premiums and medical costs are inextricably linked. As the reports have noted the major contributing factor to the increases in premiums has been the rising cost of medical services charged by providers. As the Division's and the Attorney General's reports noted, the bulk of the premium dollar – nearly 90 cents – pays for medical services such as doctor visits, prescription drugs and hospital stays and other services that directly benefit consumers. Any serious discussion about keeping health care affordable needs to start with what we pay for medical care.

As the Division turns its attention towards solutions for making health care affordable, we would like to offer a series of short- and long-term approaches for the Division to include in its final report:

Pass the Affordable Health Plan. Legislation – House Bill 4452 – filed by Senator Richard Moore and Representative Harriett Stanley would provide small business rate relief by limiting

provider reimbursement rates – the underlying reason for higher insurance rates – as well as insurer profits. It is the only proposal on Beacon Hill that would cut small businesses' health care costs and provide a more affordable option for all small employers – at a savings as high as 22 percent over current premiums.

Encourage High Value Networks. State regulations and the market power of certain providers make it difficult to offer select networks based on the quality and efficiency of doctors and hospitals. Some large provider systems require including all hospitals and physicians in contracts. The report should include recommendations for statutory changes that would end this practice and would ask the Division of Insurance ease current rules that limit the ability to develop select networks of high value, low cost providers that would provide more affordable options to small businesses.

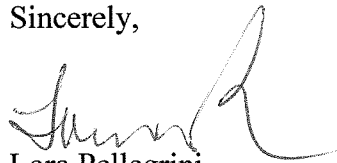
Revise the Rules for Purchasing Individual Coverage. Currently, individuals can wait until they get sick and need care to buy coverage and then drop it after completing treatment. This "jumping and dumping" has led to increased costs for small businesses because they are grouped together with individuals when setting premium rates. We would ask that the final report include a recommendation that the state establish an annual open enrollment period to end this practice.

Create a Statewide Health Care Planning Process. Increases in the supply of MRIs, CT scans, and other technology have led to increased demand and expansions by academic medical centers into suburban communities have increased prices by steering patients away from community hospitals despite research that community hospitals offer comparable, if not superior, care in a more cost-effective setting. Often, the expansions of services, technologies and facilities are approved without the state reviewing their effect on the statewide health care system. We would ask that the final report include a recommendation for a process to plan and coordinate the availability and delivery of health care services within the Commonwealth so that these expansions will not duplicate existing services and increase costs.

Payment Reform. Reforming the payment system is needed to rein in health care costs in the long-term, but is expected to take up to five years. The state could begin the process. We would ask that the final report include recommendations that the state begin by setting clear performance goals and benchmarks for reducing state per capita health care costs to no more than the national average and outlining measures to ensure that payment reform does not lead to higher prices and further provider consolidation.

We appreciate the opportunity to offer our comments and we look forward to working with the Division on this crucial issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lora Pellegrini', written over a horizontal line.

Lora Pellegrini
President & CEO